

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

## Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses and Changes in Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 23
Statement of Changes in Fiduciary Net Assets	K 24
Notes to Financial Statements	25-35
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	36
Notes to Required Supplementary Information - Budgetary Reporting	37
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 39
Schedule of Changes in Special Revenue:	
Student Activity Accounts	3 40-41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	43-44
Schedule of Findings	45-48

Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
Greg Greiner	President	2008
Mike Kayser	Vice President	2006
Randy Eakins	Board Member	2006
Fred Thomas	Board Member	2007
Carol Streeby	Board Member	2007

<b>Board of Education (After September 2006 Election)</b>		
Greg Greiner	President	2008
Mike Kayser	Vice President	2009
Fred Thomas	Board Member	2007
Carol Streeby	Board Member	2007
Mary Campbell	Board Member	2009

<b>School Officials</b>		
Arnie Snook	Superintendent	2007
Tina Snyder	Board Secretary/Treasurer	2007
Ahlers & Cooney, P.C	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District, Eldon, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2008 on our consideration of Cardinal of Eldon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardinal of Eldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,224,010 in fiscal 2006 to \$5,375,125 in fiscal 2007, while General Fund expenditures decreased from \$5,648,303 in fiscal 2006 to \$5,597,645 in fiscal 2007. However, expenditures still exceeded revenues resulting in a decrease in the District's General Fund balance from a deficit balance of \$138,887 in fiscal 2006 to a deficit balance of \$361,407 in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in tuition and state grant revenue in fiscal 2007. The decrease in expenditures was due primarily to a decrease in regular instruction and administration services functional areas.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Cardinal of Eldon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cardinal of Eldon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cardinal of Eldon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Cardinal of Eldon Community School District Annual Financial Report**

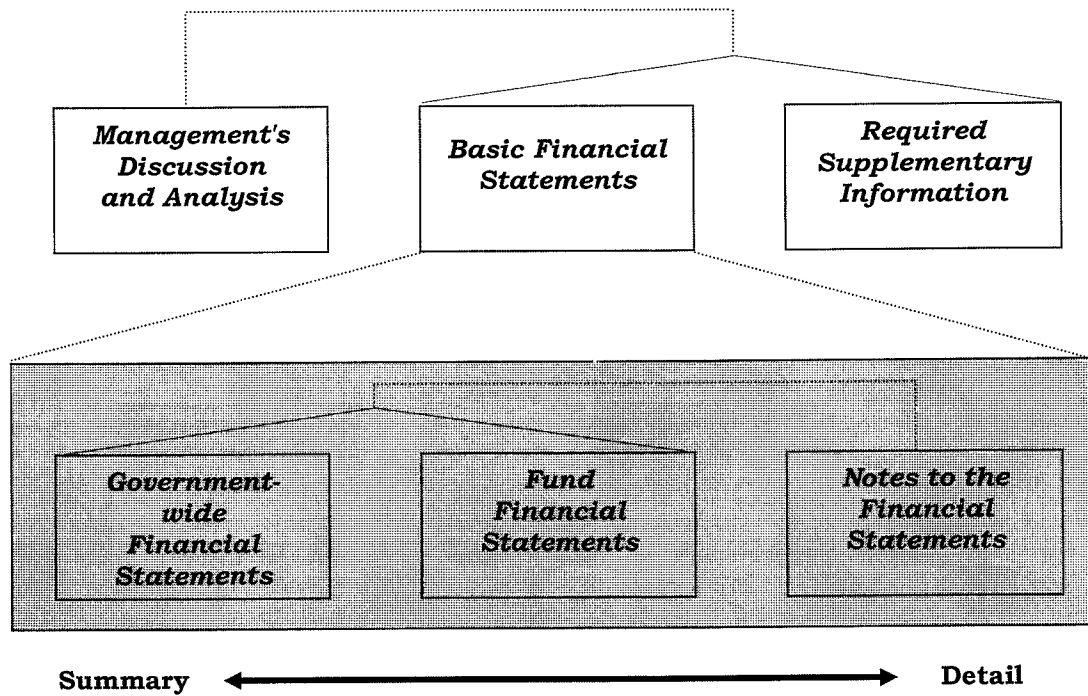


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 3,805,372	4,293,331	\$ 9,211	22,966	\$ 3,814,583	4,316,297	-11.62%
Capital assets	2,740,143	2,837,426	23,625	9,987	2,763,768	2,847,413	-2.94%
Total assets	6,545,515	7,130,757	32,836	32,953	6,578,351	7,163,710	-8.17%
Long-term obligations	569,675	585,000	0	0	569,675	585,000	-2.62%
Other liabilities	3,683,073	3,893,102	17,065	18,268	3,700,138	3,911,370	-5.40%
Total liabilities	4,252,748	4,478,102	17,065	18,268	4,269,813	4,496,370	-5.04%
Net assets:							
Invested in capital assets, net of related debt	2,260,143	2,272,087	23,625	9,987	2,283,768	2,282,074	0.07%
Restricted	452,040	456,657	0	0	452,040	456,657	-1.01%
Unrestricted	(419,416)	(76,089)	(7,854)	4,698	(427,270)	(71,391)	-498.49%
Total net assets	\$ 2,292,767	2,652,655	\$ 15,771	14,685	\$ 2,308,538	2,667,340	-13.45%

The District's combined net assets decreased by 13.45% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 1.01% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 498.49% compared to the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 519,939	390,326	\$ 112,905	121,327	632,844	511,653	23.69%
Operating grants and contributions and restricted interest	747,728	741,631	160,549	155,870	908,277	897,501	1.20%
Capital grants and contributions and restricted interest	30,004	0	0	0	30,004	0	100.00%
General revenues:							
Local tax	1,558,452	1,581,923	0	0	1,558,452	1,581,923	-1.48%
Local option sales and service tax	391,399	419,031	0	0	391,399	419,031	-6.59%
Unrestricted state grants	2,966,729	2,862,508	0	0	2,966,729	2,862,508	3.64%
Other	87,776	133,043	10,579	0	98,355	133,043	-26.07%
Transfers	(48,409)	0	0	0	(48,409)	0	-100.00%
Total revenues and transfers	6,253,618	6,128,462	284,033	277,197	6,537,651	6,405,659	2.06%
Program expenses:							
Governmental activities:							
Instructional	4,130,222	4,167,649	0	0	4,130,222	4,167,649	-0.90%
Support services	2,003,193	1,717,982	0	0	2,003,193	1,717,982	16.60%
Non-instructional programs	0	3,931	282,947	276,667	282,947	280,598	0.84%
Other expenses	480,090	378,832	0	0	480,090	378,832	26.73%
Total expenses	6,613,505	6,268,394	282,947	276,667	6,896,452	6,545,061	5.37%
Change in net assets	(359,887)	(139,932)	1,086	530	(358,801)	(139,402)	157.39%
Net assets beginning of year	2,652,655	2,792,587	14,685	14,155	2,667,340	2,806,742	-4.97%
Net assets end of year	\$ 2,292,768	2,652,655	\$ 15,771	14,685	2,308,539	2,667,340	-13.45%

In fiscal 2007, local tax and unrestricted state grants account for 72.36% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.28% of the revenue from business type activities.

The District's total revenues were approximately \$6.54 million of which \$6.25 million was for governmental activities and \$.29 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 2.06% increase in revenues and a 5.37% increase in expenses. The increase in expenses related to increase in facilities acquisitions.

### Governmental Activities

Revenues for governmental activities were \$6,253,618 and expenses were \$6,613,505.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 4,130,222	4,167,649	-0.90%	3,065,874	3,233,178	-5.17%
Support services	2,003,193	1,717,982	16.60%	2,002,518	1,717,336	16.61%
Non-instructional programs	0	3,931	-100.00%	0	3,931	-100.00%
Other expenses	480,090	378,832	26.73%	247,442	181,992	35.96%
Totals	\$ 6,613,505	6,268,394	5.51%	5,315,834	5,136,437	3.49%

- The cost financed by users of the District's programs was \$519,939.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$747,728.
- The net cost of governmental activities was financed with \$1,949,851 in local tax, \$2,966,729 in unrestricted state grants, \$22,838 in interest income, and \$64,938 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$284,033 and expenses were \$282,947. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Cardinal of Eldon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,224, decreased compared to last year's ending fund balances of \$286,946. However, the primary reason for the decrease was the expenditures in the General Fund continue to be higher than revenues.

### Governmental Fund Highlights

- The District's General Fund balance decreased from a deficit \$138,887 on June 30, 2006 to a deficit \$361,407 on June 30, 2007. The District's decreasing General Fund financial position is the product of many factors. An increase in the tuition and state sources revenue during the year resulted in an increase in total revenues. A decrease in instructional expenditures decreased the total expenditures for the year. However, expenditures still exceeded revenues ensuring the decrease in the District's financial position.
- The Capital Projects fund balance decreased from \$218,326 in 2006, to \$212,552 in 2007. The fund had a decrease in local option sales and service tax revenues and an increase in other expenditures during the year.
- The Activity Fund combined balance increased from \$78,412 in 2006, to \$91,745 in 2007, due to the increase in revenues.

- 
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$21,827 to \$15,643, due to the decrease in local tax revenue during the year.
  - The Management Levy fund balance decreased from \$69,438, to \$46,691, due to an increase in regular instruction expenditures.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$14,685 at June 30, 2006 to \$15,771 at June 30, 2007. The District received more in federal money during the year, which offset the continuing increase in salaries and benefits and prices of food.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Cardinal of Eldon Community School District amended its annual budget one time to reflect additional expenditures associated with increased expenditures in the support services and other expenditures functional areas.

The District's revenues were \$200,959 less than budgeted revenues, a variance of 2.97%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$2,763,758, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.94% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$330,020.

The original cost of the District's capital assets was \$6,176,325. Governmental funds account for \$6,043,292 with the remainder of \$133,033 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$14,643 at June 30, 2007, compared to \$0 reported at June 30, 2006. This increase resulted from the District beginning concrete work at the high school.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Construction in progress	\$ 14,643	0	0	0	14,643	0	100.00%
Buildings	2,157,128	2,178,866	0	0	2,157,128	2,178,866	-1.00%
Land improvements	358,964	427,845	0	0	358,964	427,845	-16.10%
Machinery and equipment	209,408	230,715	23,625	9,987	233,033	240,702	-3.19%
Total	<u>\$ 2,740,143</u>	<u>2,837,426</u>	<u>\$ 23,625</u>	<u>9,987</u>	<u>\$ 2,763,768</u>	<u>2,847,413</u>	<u>-2.94%</u>

### Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$569,675 in general obligation bonds, capital loan notes, and early retirement. This represents a decrease of 2.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2007. This amount has been outstanding since 1995.

The District had total outstanding capital loan notes payable of \$475,000 at June 30, 2007. The capital loan notes are paid from the Debt Service fund, but the PPEL fund transfers the monies there to be paid.

The District had total outstanding early retirement payable of \$89,675 at June 30, 2007.

Figure A-7

	Outstanding Long-Term Obligations		
	Total		Total
	School District		Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation	\$ 5,000	5,000	0.0%
Capital loan notes	475,000	580,000	-18.1%
Early retirement	89,675	0	100.0%
Totals	<u>\$ 569,675</u>	<u>585,000</u>	<u>-2.6%</u>

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Snyder, Board Secretary, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS



CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments			
ISCAP(Note 5)	\$ 1,475,431	0	1,475,431
Other	391,846	3,254	395,100
Receivables:			
Property tax:			
Delinquent	36,954	0	36,954
Succeeding year	1,611,368	0	1,611,368
Income surtax	118,874	0	118,874
Accrued interest:			
ISCAP(Note 5)	3,513	0	3,513
Due from other governments	167,387	0	167,387
Inventories	0	5,957	5,957
Capital assets, net of accumulated depreciation(Note 6)	2,740,143	23,625	2,763,768
<b>Total Assets</b>	<b>6,545,516</b>	<b>32,836</b>	<b>6,578,352</b>
<b>Liabilities</b>			
Accounts payable	50,464	0	50,464
Interest payable	1,798	0	1,798
Salaries and benefits payable	523,852	15,725	539,577
ISCAP warrants payable(Note 5)	1,478,000	0	1,478,000
ISCAP accrued interest payable(Note 5)	4,926	0	4,926
ISCAP premiums payable	10,733	0	10,733
Deferred revenue:			
Succeeding year property tax	1,611,368	0	1,611,368
Other	1,932	0	1,932
Unearned revenue	0	1,340	1,340
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	5,000	0	5,000
Capital loan notes	110,000	0	110,000
Portion due after one year:			
Capital loan notes	365,000	0	365,000
Early retirement payable	89,675	0	89,675
<b>Total Liabilities</b>	<b>4,252,748</b>	<b>17,065</b>	<b>4,269,813</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,260,143	23,625	2,283,768
Restricted for:			
Talented and gifted	61,993	0	61,993
Salary improvement program	1,840	0	1,840
Professional development	2,095	0	2,095
Additional professional development	923	0	923
Market factor	5,121	0	5,121
Early intervention	13,437	0	13,437
Capital projects	212,552	0	212,552
Physical plant and equipment levy	15,643	0	15,643
Management levy	46,691	0	46,691
Other special revenue purposes	91,745	0	91,745
Unrestricted	(419,415)	(7,854)	(427,269)
<b>Total Assets</b>	<b>\$ 2,292,768</b>	<b>15,771</b>	<b>2,308,539</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,196,069	126,625	530,525	0	(1,538,919)	0	(1,538,919)
Special instruction	903,023	75,911	0	0	(827,112)	0	(827,112)
Other instruction	1,031,130	317,403	8,880	5,004	(699,843)	0	(699,843)
	<u>4,130,222</u>	<u>519,939</u>	<u>539,405</u>	<u>5,004</u>	<u>(3,065,874)</u>	<u>0</u>	<u>(3,065,874)</u>
Support services:							
Student services	142,842	0	0	0	(142,842)	0	(142,842)
Instructional staff services	239,027	0	0	0	(239,027)	0	(239,027)
Administration services	695,910	0	0	0	(695,910)	0	(695,910)
Operation and maintenance of plant services	529,855	0	0	0	(529,855)	0	(529,855)
Transportation services	395,559	0	675	0	(394,884)	0	(394,884)
	<u>2,003,193</u>	<u>0</u>	<u>675</u>	<u>0</u>	<u>(2,002,518)</u>	<u>0</u>	<u>(2,002,518)</u>
Other expenditures:							
Facilities acquisitions	200,196	0	0	25,000	(175,196)	0	(175,196)
Long-term debt interest	25,627	0	0	0	(25,627)	0	(25,627)
AEA flowthrough	207,648	0	207,648	0	0	0	0
Depreciation (unallocated)*	46,619	0	0	0	(46,619)	0	(46,619)
	<u>480,090</u>	<u>0</u>	<u>207,648</u>	<u>25,000</u>	<u>(247,442)</u>	<u>0</u>	<u>(247,442)</u>
Total governmental activities	6,613,505	519,939	747,728	30,004	(5,315,834)	0	(5,315,834)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	282,947	112,905	160,549	0	0	(9,493)	(9,493)
Total business-type activities	<u>282,947</u>	<u>112,905</u>	<u>160,549</u>	<u>0</u>	<u>0</u>	<u>(9,493)</u>	<u>(9,493)</u>
Total	<u>\$ 6,896,452</u>	<u>632,844</u>	<u>908,277</u>	<u>30,004</u>	<u>(5,315,834)</u>	<u>(9,493)</u>	<u>(5,325,327)</u>
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes					\$ 1,435,080	0	1,435,080
Capital outlay					123,372	0	123,372
Local option sales and service tax					391,399	0	391,399
Unrestricted state grants					2,966,729	0	2,966,729
Unrestricted investment earnings					22,838	0	22,838
Other general revenues					64,938	0	64,938
Transfers					(48,409)	10,579	(37,830)
Total general revenues and transfers					<u>4,955,947</u>	<u>10,579</u>	<u>4,966,526</u>
Changes in net assets					(359,887)	1,086	(358,801)
Net assets beginning of year					2,652,655	14,685	2,667,340
Net assets end of year					<u>\$ 2,292,768</u>	<u>15,771</u>	<u>2,308,539</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments				
ISCAP (Note 5)	\$ 1,475,431	0	0	1,475,431
Other	107,138	136,334	148,374	391,846
Receivables:				
Property tax				
Delinquent	31,249	0	5,705	36,954
Succeeding year	1,302,284	0	309,084	1,611,368
Income surtax	118,874	0	0	118,874
Interfund	0	20,976	0	20,976
Accrued interest:				
ISCAP (Note 5)	3,513	0	0	3,513
Due from other governments	95,017	72,370	0	167,387
<b>Total Assets</b>	<b>\$ 3,133,506</b>	<b>229,680</b>	<b>463,163</b>	<b>3,826,349</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 20,976	0	0	20,976
Accounts payable	33,336	17,128	0	50,464
Salaries and benefits payable	523,852	0	0	523,852
ISCAP warrants payable (Note 5)	1,478,000	0	0	1,478,000
ISCAP accrued interest payable (Note 5)	4,926	0	0	4,926
ISCAP premiums payable	10,733	0	0	10,733
Deferred revenue:				
Succeeding year property tax	1,302,284	0	309,084	1,611,368
Income surtax	118,874	0	0	118,874
Other	1,932	0	0	1,932
Total liabilities	<b>3,494,913</b>	<b>17,128</b>	<b>309,084</b>	<b>3,821,125</b>
Fund balances:				
Reserved for:				
Talented and gifted	61,993	0	0	61,993
Salary improvement program	1,840	0	0	1,840
Professional development	2,095	0	0	2,095
Additional professional development	923	0	0	923
Market factor	5,121	0	0	5,121
Early intervention	13,437	0	0	13,437
Unreserved	(446,816)	212,552	154,079	(80,185)
Total fund balances	<b>(361,407)</b>	<b>212,552</b>	<b>154,079</b>	<b>5,224</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,133,506</b>	<b>229,680</b>	<b>463,163</b>	<b>3,826,349</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total fund balances of governmental funds (page 16)</b>	\$ 5,224
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,740,143
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,798)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	118,874
Long-term liabilities, including bonds, capital loan notes, fitness equipment loan payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(569,675)</u>
<b>Net assets of governmental activites (page 14)</b>	<u><u>\$ 2,292,768</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,336,529	391,399	218,498	1,946,426
Tuition	202,536	0	0	202,536
Other	130,483	7,372	276,204	414,059
State sources	3,515,409	5,004	0	3,520,413
Federal sources	190,168	25,000	0	215,168
Total revenues	5,375,125	428,775	494,702	6,298,602
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,052,773	0	45,904	2,098,677
Special instruction	903,023	0	0	903,023
Other instruction	778,363	0	252,767	1,031,130
	3,734,159	0	298,671	4,032,830
Support services:				
Student services	142,842	0	0	142,842
Instructional staff services	211,385	17,402	0	228,787
Administration services	630,395	0	65,515	695,910
Operation and maintenance of plant services	400,112	0	0	400,112
Transportation services	271,104	67,904	15,119	354,127
	1,655,838	85,306	80,634	1,821,778
Other expenditures:				
Facilities acquisitions	0	349,243	0	349,243
Long-term debt:				
Principal	0	0	105,000	105,000
Interest	0	0	25,995	25,995
AEA flowthrough	207,648	0	0	207,648
	207,648	349,243	130,995	687,886
Total expenditures	5,597,645	434,549	510,300	6,542,494
Deficiency of revenues under expenditures	(222,520)	(5,774)	(15,598)	(243,892)
Other financing sources(uses):				
Transfers in	0	0	131,395	131,395
Transfers out	0	0	(169,225)	(169,225)
Total other financing sources(uses)	0	0	(37,830)	(37,830)
Net change in fund balances	(222,520)	(5,774)	(53,428)	(281,722)
Fund balances beginning of year	(138,887)	218,326	207,507	286,946
Fund balances end of year	\$ (361,407)	212,552	154,079	5,224

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ (281,722)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 229,225	
Depreciation expense	<u>(326,508)</u>	(97,283)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 105,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 368

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	(89,675)
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 3,425

**Changes in net assets of governmental activities (page 15) \$ (359,887)**

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,254
Inventories	5,957
Capital assets, net of accumulated depreciation(Note 6)	<u>23,625</u>
<b>Total Assets</b>	<u>32,836</u>
<b>Liabilities</b>	
Salaries and benefits payable	15,725
Unearned revenues	<u>1,340</u>
<b>Total Liabilities</b>	<u>17,065</u>
<b>Net Assets</b>	
Invested in capital assets	23,625
Unrestricted	<u>(7,854)</u>
<b>Total Net Assets</b>	<u>\$ 15,771</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	<u>\$ 112,905</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	86,538
Benefits	20,694
Services	1,904
Supplies	170,118
Other	181
Depreciation	<u>3,512</u>
TOTAL OPERATING EXPENSES	<u>282,947</u>
OPERATING LOSS	<u>(170,042)</u>
NON-OPERATING REVENUES:	
State sources	3,574
Federal sources	<u>156,975</u>
TOTAL NON-OPERATING REVENUES	<u>160,549</u>
Change in net assets before other financing sources	(9,493)
Other financing sources:	
Capital contributions	<u>10,579</u>
Change in net assets	1,086
Net assets at beginning of year	<u>14,685</u>
Net assets end of year	<u><u>\$ 15,771</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.



CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 106,971
Cash received from miscellaneous	5,693
Cash payments to employees for services	(108,064)
Cash payments to suppliers for goods or services	(158,798)
Net cash used in operating activities	<u>(154,198)</u>
Cash flows from non-capital financing activities:	
State grants received	3,574
Federal grants received	143,440
Net cash provided by non-capital financing activities	<u>147,014</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(6,571)</u>
Net decrease in cash and cash equivalents	(13,755)
Cash and cash equivalents at beginning of year	<u>17,009</u>
Cash and cash equivalents at end of year	<u>\$ 3,254</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (170,042)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,535
Depreciation	3,512
Decrease in accounts payable	(130)
Decrease in salaries and benefits payable	(832)
Decrease in unearned revenue	(241)
Net cash used in operating activities	<u>\$ (154,198)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 3,254</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$13,535.

During the year ended June 30, 2007, the District received \$6,388 in capital contributions from General Fund and \$4,191 in capital contributions from Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$          47,550</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$          47,550</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 8,580
Interest income	2,640
Total additions	<u>11,220</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>1,500</u>
Change in net assets before other financing sources	9,720
Other financing sources:	
Transfer in	<u>37,830</u>
Change in net assets	47,550
Net assets beginning of year	<u>0</u>
Net assets end of year	<u><u>\$ 47,550</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Cardinal of Eldon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Cardinal of Eldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require

income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.



Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures did not exceed budgeted amounts.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 150,091</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit maturing over one year as follows:

	<u>Fair Value</u>
Certificates of Deposit	<u>\$ 38,864</u>

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	<u>\$ 20,976</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue Physical Plant and Equipment Levy	\$ 131,395
Private Purpose Trust	Expendable Trust	<u>37,830</u>
		<u>\$ 169,225</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07B	1/26/2007	1/25/2008	\$ 240,385	3,144	241,000	4,611
2007-08A	6/28/2007	6/27/2008	1,235,046	369	1,237,000	315
Total			<u>\$ 1,475,431</u>	<u>3,513</u>	<u>1,478,000</u>	<u>4,926</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	850,000	850,000	0
2006-07B	0	430,000	430,000	0
Total	<u>\$ 0</u>	<u>1,280,000</u>	<u>1,280,000</u>	<u>0</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 0	14,643	0	14,643
Total capital assets not being depreciated	0	14,643	0	14,643
Capital assets being depreciated:				
Buildings	3,659,871	112,000	0	3,771,871
Land improvements	953,912	22,404	0	976,316
Machinery and equipment	1,200,284	80,178	0	1,280,462
Total capital assets being depreciated	5,814,067	214,582	0	6,028,649
Less accumulated depreciation for:				
Buildings	1,481,005	133,738	0	1,614,743
Land improvements	526,067	91,285	0	617,352
Machinery and equipment	969,569	101,485	0	1,071,054
Total accumulated depreciation	2,976,641	326,508	0	3,303,149
Total capital assets being depreciated, net	2,837,426	(111,926)	0	2,725,500
Governmental activities capital assets, net	\$ 2,837,426	(97,283)	0	2,740,143
Business-type activities:				
Machinery and equipment	\$ 65,608	17,150	(50,275)	133,033
Less accumulated depreciation	55,621	3,512	(50,275)	109,408
Business-type activities capital assets, net	\$ 9,987	13,638	0	23,625

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 19,991
Support services:	
Instructional staff services	10,240
Operation and maintenance of plant services	140,322
Transportation	109,336
	279,889
Unallocated depreciation	46,619
Total governmental activities depreciation expense	\$ 326,508
Business-type activities:	
Food services	\$ 3,512

#### (7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 5,000	0	0	5,000	5,000
Capital loan notes	580,000	0	105,000	475,000	110,000
Early retirement	0	119,348	29,673	89,675	0
Total	\$ 585,000	119,348	134,673	569,675	115,000

#### General Obligation

Details of the District's June 30, 2007 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated March 1, 1983		
		Principal	Interest	Total
1995	8.60 %	\$ 5,000	1,935	6,935

#### Capital Loan Notes

Capital loan notes are paid out of the PPEL Fund and details of the District's June 30, 2007 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue May 27, 1997		
		Principal	Interest	Total
2008	4.35 %	\$ 110,000	21,585	131,585
2009	4.50	115,000	16,800	131,800
2010	4.60	125,000	11,625	136,625
2011	4.70	125,000	5,875	130,875
Total		\$ 475,000	55,885	530,885

#### Early Retirement

The District offers a voluntary early retirement plan to its Licensed employees. Eligible employees must be at least fifty-five and licensed employees must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible licensed employee is the licensed employee will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual will be reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days. Early retirement benefits paid during the year totaled \$29,673.

#### (8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined

benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$188,504, \$177,594, \$172,412, and respectively, equal to the required contributions for each year.

**(9) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$622,742.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$207,648 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance**

The General Fund and the Enterprise Fund, School Nutrition had deficit unreserved fund balances at June 30, 2007 of \$446,816 and \$7,854, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,563,021	112,905	2,675,926	2,974,943	2,974,943	(299,017)
State sources	3,520,413	3,574	3,523,987	3,460,072	3,460,072	63,915
Federal sources	215,168	156,975	372,143	338,000	338,000	34,143
Total revenues	6,298,602	273,454	6,572,056	6,773,015	6,773,015	(200,959)
Expenditures:						
Instruction	4,032,830	0	4,032,830	4,276,481	4,276,481	243,651
Support services	1,821,778	0	1,821,778	1,572,522	1,900,000	78,222
Non-instructional programs	0	282,947	282,947	318,150	318,150	35,203
Other expenditures	687,886	0	687,886	749,262	800,000	112,114
Total expenditures	6,542,494	282,947	6,825,441	6,916,415	7,294,631	469,190
Excess(deficiency) of revenues over(under) expenditures	(243,892)	(9,493)	(253,385)	(143,400)	(521,616)	268,231
Other financing sources(uses), net	(37,830)	10,579	(27,251)	0	0	(27,251)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(281,722)	1,086	(280,636)	(143,400)	(521,616)	240,980
Balance beginning of year	286,946	14,685	301,631	687,706	687,706	(386,075)
Balance end of year	\$ 5,224	15,771	20,995	544,306	166,090	(145,095)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$378,216.

OTHER SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	Total Other Nonmajor Governmental Funds
<b>Assets</b>				
Cash and pooled investments	\$ 44,207	12,422	91,745	148,374
Receivables:				
Property tax:				
Current year delinquent	2,484	3,221	0	5,705
Succeeding year	185,000	124,084	0	309,084
<b>Total Assets</b>	<b>\$ 231,691</b>	<b>139,727</b>	<b>91,745</b>	<b>463,163</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 185,000	124,084	0	309,084
	185,000	124,084	0	309,084
Fund balances:				
Unreserved	46,691	15,643	91,745	154,079
<b>Total Liabilities and Fund Balances</b>	<b>\$ 231,691</b>	<b>139,727</b>	<b>91,745</b>	<b>463,163</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue						Total
	Physical					Other	
	Manage-	Plant and	Student	Expendable	Total	Debt	Nonmajor
	ment	Equipment	Activity	Trust	Special	Service	Governmental
	Levy	Levy			Revenue		Funds
REVENUES:							
Local sources:							
Local tax	\$ 95,126	123,372	0	0	218,498	0	218,498
Other	8,265	1,839	266,100	0	276,204	0	276,204
TOTAL REVENUES	103,391	125,211	266,100	0	494,702	0	494,702
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	45,904	0	0	0	45,904	0	45,904
Other instruction	0	0	252,767	0	252,767	0	252,767
	45,904	0	252,767	0	298,671	0	298,671
Support services:							
Administration services	65,115	0	0	0	65,115	400	65,515
Transportation services	15,119	0	0	0	15,119	0	15,119
	80,234	0	0	0	80,234	400	80,634
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	105,000	105,000
Interest	0	0	0	0	0	25,995	25,995
	0	0	0	0	0	130,995	130,995
TOTAL EXPENDITURES	126,138	0	252,767	0	378,905	131,395	510,300
Excess(deficiency) of revenues over (under) expenditures	(22,747)	125,211	13,333	0	115,797	(131,395)	(15,598)
Other financing sources(uses):							
Transfers in	0	0	0	0	0	131,395	131,395
Transfers out	0	(131,395)	0	(37,830)	(169,225)	0	(169,225)
Total other financing sources(uses)	0	(131,395)	0	(37,830)	(169,225)	131,395	(37,830)
Net change in fund balances	(22,747)	(6,184)	13,333	(37,830)	(53,428)	0	(53,428)
Fund balance beginning of year	69,438	21,827	78,412	37,830	207,507	0	207,507
Fund balance end of year	\$ 46,691	15,643	91,745	0	154,079	0	154,079

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 835	1,394	2,229	0
Investments	21	68	89	0
Drama	1,860	1,500	1,738	1,622
Music	484	670	755	399
Vocal	1,979	564	351	2,192
Season tickets	0	5,115	2,524	2,591
JH track	0	157	157	0
Boys basketball	2,436	10,212	8,387	4,261
Football	527	5,797	5,682	642
Baseball	0	1,515	1,515	0
Boys track	0	1,362	1,362	0
Wrestling	30	1,025	753	302
Girls basketball	1,004	4,535	5,106	433
Volleyball	151	2,678	2,829	0
Softball	0	2,749	2,749	0
Girls track	0	2,650	2,650	0
Yearbook	(1,658)	13,336	13,991	(2,313)
Art club	804	0	0	804
Cheerleaders	737	1,279	412	1,604
Baseball club	714	760	1,017	457
General activity	10,449	4,583	3,367	11,665
Concessions	11,115	2,887	3,395	10,607
Football club	2,211	8,154	5,246	5,119
7th grade dues	42	0	42	0
8th grade dues	130	0	88	42
Freshman	389	188	314	263
Sophomore	1,685	105	1,321	469
Juniors	3,648	16,481	17,400	2,729
Seniors	803	1,650	0	2,453
Girls baseball club	0	475	121	354
Library club	0	4,027	3,671	356
National honor society	0	102	102	0
JH trip fund	5,329	78,950	79,743	4,536
FFA	(1,931)	5,915	4,073	(89)
Softball club	367	3,808	3,166	1,009
HS student council	187	1,773	1,284	676
Volleyball club	2,391	869	2,362	898
Wrestling club	3,931	1,986	3,111	2,806
Foreign language club	2,635	2,573	5,084	124
Boys basketball club	1,063	5,943	6,539	467
Business class	6	0	0	6

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH student council	32	2,364	2,117	279
Effort honor role	0	216	434	(218)
Elementary music	41	49	94	(4)
Elementary yearbook	580	1,881	1,808	653
Elementary concessions	8,545	22,925	20,709	10,761
Elementary library fund	445	0	0	445
Patriotism day	2,039	50	210	1,879
JH cheerleading	453	40	0	493
Wrestling cheerleading	137	178	279	36
Weight room club	371	12	0	383
A club	2,558	17,469	13,023	7,004
Music boosters	8,198	23,081	19,078	12,201
CSA	289	0	289	0
FCCLA	64	0	0	64
Dance and drill	286	0	1	285
Total	\$ 78,412	266,100	252,767	91,745

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
<b>Revenues:</b>					
Local sources:					
Local tax	\$	1,946,426	2,000,954	1,958,913	1,750,121
Tuition		202,536	136,657	161,180	178,302
Other		414,059	389,077	426,484	420,220
State sources		3,520,413	3,361,618	3,154,278	2,892,651
Federal sources		215,168	240,156	243,582	168,971
Total	\$	6,298,602	6,128,462	5,944,437	5,410,265
<b>Expenditures:</b>					
Instruction:					
Regular instruction	\$	2,098,677	2,468,967	2,417,405	2,275,334
Special instruction		903,023	974,648	693,037	863,801
Other instruction		1,031,130	704,381	832,922	491,027
Support services:					
Student services		142,842	125,741	149,717	144,869
Instructional staff services		228,787	198,643	25,942	3,462
Administration services		695,910	726,219	687,027	658,292
Operation and maintenance of plant services		400,112	330,961	340,082	346,895
Transportation services		354,127	370,615	315,315	231,964
Non-instructional:					
Community service & other enterprise operations		0	0	14,985	0
Operation of non-instructional programs		0	3,931	150	0
Other expenditures:					
Facilities acquisitions		349,243	228,548	130,737	106,448
Long Term Debt:					
Principal		105,000	100,000	206,389	166,183
Interest		25,995	30,045	34,445	44,247
AEA flow-through		207,648	196,840	188,353	184,562
Total	\$	6,542,494	6,459,539	6,036,506	5,517,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardinal of Eldon Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cardinal of Eldon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Cardinal of Eldon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Cardinal of Eldon Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Cardinal of Eldon Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

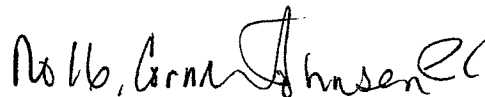
As part of obtaining reasonable assurance about whether Cardinal of Eldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cardinal of Eldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cardinal of Eldon Community School District and other parties to whom Cardinal of Eldon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cardinal of Eldon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible

Conclusion - Response accepted.

I-B-07 Investments in the Student Activity Fund - We noted during our audit that there is an account line within the Student Activity Fund named investment. Investments should belong to a particular group/account, and should not have a separate fund balance line.

Recommendation - The District should research the investments account to find which group/account the funds belong to and make the corrective transfer in order to zero out the account.

Response - We will try and do by year end.

Conclusion - Response accepted.

I-C-07 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account. Interest earned throughout the year for all of the individual accounts are recorded in this account.

Recommendation - Interest should be allocated out to various accounts on a yearly basis.

Response - We will do by year end.

Conclusion - Response accepted.

I-D-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - Coaches have been given time records.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Greg Greiner, Board Member Owner of Greiner Implement Co.	Parts	\$312
Sherry VanBlaricom, Part-time Secretary Owner of Gothic City Graphics	Supplies	\$1,051
Kurt McGill, IT Technician Owner of Computerworks	Computers	\$15,868

According to Chapter 279.A of the Code of Iowa, the transactions with Greg Greiner do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's secretary and technician do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - During our audit we noted that the District had a deficit unreserved fund balance in the General Fund and the Enterprise Fund, School Nutrition of \$446,816 and \$7,854, respectively. The District also had negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - The District levied for cash reserve.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Both Libertyville Savings Bank and Patriot Bank has copies of both sides of the checks and can produce these on demand.

Conclusion - Response acknowledged. The District should have a written agreement with both Libertyville Savings Bank and Patriot Bank if these banks are serving as a custodian of records.

II-L-07 Authorized Check Signatures - We noted during our audit, one instance of only one signature on a District's General Fund check.

Recommendation - Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence. The Board should implement procedures so each check is signed appropriately.

Response - We will make sure that checks are not missed.

Conclusion - Response accepted.